

## Message Text

CONFIDENTIAL

PAGE 01 STATE 120369  
ORIGIN ARA-10

INFO OCT-01 SS-14 ISO-00 NSC-05 NEA-07 EB-04 INR-05  
PA-01 SP-02 OMB-01 TRSE-00 CIAE-00 DODE-00 NSAE-00  
AF-04 IO-06 /060 R

DRAFTED BY ARA/AND:DKEMP:CFULLER:FPI  
APPROVED BY S  
E:RCOOPER  
NSC:RPASTOR (INFO)  
ARA:JABUSHNELL  
ARA/CU:WSMITH  
S/S - DANDERSON

-----073859 112022Z /21

P 111939Z MAY 78  
FM SECSTATE WASHDC  
TO AMEMBASSY LIMA PRIORITY  
INFO AMEMBASSY QUITO PRIORITY  
AMEMBASSY CAIRO  
AMEMBASSY SANTIAGO  
USINT HAVANA  
AMEMBASSY ALGIERS

C O N F I D E N T I A L STATE 120369

LIMDIS

E.O. 11652: GDS

TAGS: PBOR EFIN PE EC CI PORG CU EG YO AG

SUBJECT:MEETING BETWEEN SECRETARY AND PERUVIAN FOREIGN  
MINISTER. -

SUMMARY:

DE LA PUENTE TOLD SECRETARY PERU AND IMF CLOSE TO  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 120369

REACHING AGREEMENT ON NEW ECONOMIC STABILIZATION PRO-  
GRAM. FUND WOULD MAKE STATEMENT ON BASIS OF WHICH  
INTERNATIONAL COMMERCIAL BANK GROUP MIGHT CONSIDER  
ADVANCING SHORT-TERM \$80 MILLION BRIDGE LOAN. PERU  
10 DAYS AWAY FROM RUNNING OUT OF FOREIGN EXCHANGE.  
\$25 MILLION DEPOSIT TO OCCIDENTAL PETROLEUM ACCOUNT  
IN PERU FOLLOWING IMF STATEMENT WOULD ALSO HELP BEEF

UP RESERVES. SECRETARY OFFERED US GOOD OFFICES WITH FUND TO EXTENT POSSIBLE AND APPROPRIATE. FOREIGN MINISTER DID NOT RAISE POSSIBLE EXCHANGE STABILIZATION FUND LOAN OR OFFICIAL DEBT RESCHEDULING. DID REFER TO QUESTION OF ACCESS TO AMAZON FOR ECUADOR, WITHIN STANDARD LEGALISTIC PERUVIAN FRAMEWORK. REPORTED INVITATION TO VISIT CUBA FOR NON-ALIGNED COORDINATING BUREAU MEETING IN HAVANA AND WAS ENCOURAGED BY SECRETARY TO GO ... AND DISCUSS CUBAN ACTIVITIES IN HORN OF AFRICA AND TRUE NON-ALIGNMENT OF THAT COUNTRY. DE LA

PUENTE SAID PERU WAS IN TOUCH WITH EGYPT AND ALGERIA AMONG OTHERS ON SUBJECT. ALSO REPORTED HE HAD INVITED NEW CHILEAN FOREIGN MINISTER TO LIMA AND LATTER HAD AGREED TO MAKE SPECIAL VISIT JUNE 14-16. END SUMMARY.

I. MEETING BY PERUVIAN FOREIGN MINISTER DE LA PUENTE WITH SECRETARY MAY 8 LASTED 30 MINUTES. INCLUDED ON U.S. SIDE WERE UNDER SECRETARY COOPER, DEPUTY ASSISTANT SECRETARY BUSHNELL, AMBASSADOR SHLAUDEMANN, PASTOR OF NSC, AND FULLER AND KEMP OF ARA/AND. ON PERUVIAN SIDE: AMBASSADOR GARCIA BEDOYA, SPECIAL ADVISERS PARADES, MOYREYA, AND AGUIRRE, FOREIGN MINISTRY EXECUTIVE SECRETARY RIVERO, AND DCM TORRES MUGA.

2. AFTER PRELIMINARY EXCHANGE ON OTHER SUBJECTS,  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 120369

DE LA PUENTE SAID THAT FOLLOWING A MEETING LATER IN AFTERNOON WITH IMF, A STATEMENT WOULD BE MADE BY FUND TO COMMERCIAL BANK ON BASIS OF WHICH THEY MIGHT CONSIDER EXTENSION TO PERU OF AN \$80 MILLION BRIDGE LOAN. (STATEMENT WOULD PUPPORTEDLY EXPRESS FUND'S BELIEF THAT PERU'S NEW ECONOMIC STABILIZATION PROGRAM COULD FORM BASIS FOR RENEGOTIATING STAND BY). WITHOUT SUCH A BRIDGE LOAN FONMIN SAID, PERU WOULD RUN OUT OF FOREIGN EXCHANGE IN ABOUT TEN DAYS. THE MINISTER ADVISED HE HAD BEEN INFORMED BY PRESIDENT MORALES BERMUDEZ THAT SEVENTEEN OF NINETEEN PROJECTED AUSTERITY MEASURES WOULD BE ANNOUNCED AND IMPLEMENTED IMMEDIATELY THEREAFTER. THE REMAINING TWO MEASURES - A RISE IN THE PRICE OF GASOLINE AND MODIFICATION OF FOOD SUBSIDIES--WOULD BE INTRODUCED IMMEDIATELY FOLLOWING CONSTITUENT ASSEMBLY ELECTION SCHEDULED FOR JUNE 4. DE LA PUENTE, NOTED THAT IMPLEMENTATION OF FINAL TWO MEASURES PRIOR TO ELECTION COULD INCREASE VOTE PERCENTAGE OF BOTH EXTREME RIGHT AND LEFT AND THAT POPULAR REACTION TO THEM COULD LEAD TO REPRESSIVE ACTIONS BY GOVERNMENT WHICH WOULD BE DIFFICULT TO CONTROL OR HALT. MINISTER RECOGNIZED THAT THESE AUSTERITY MEASURES SHOULD HAVE BEEN INSTITUTED

AS FAR BACK AS JANUARY BUT CLAIMED COMPLICATIONS HAD DELAYED GOVERNMENT DECISIONS. DE LA PUENTE CLAIMED THAT ACCORDING TO A STUDY BY UN TECHNICIANS, PERU HAS LOST \$2 BILLION IN EXPORT EARNINGS OVER THE LAST FIVE YEARS DUE TO LACK OF TRADING SKILLS. REMEDYING THIS PROBLEM WOULD CONSIDERABLY BRIGHTEN MEDIUM TERM EXPORT PROSPECTS AND HELP EASE ECONOMIC CRISIS.

3. DE LA PUENTE INFORMED SECRETARY THAT OCCIDENTAL PETROLEUM HAS DIRECTED WELLS FARGO BANK TO PLACE \$25

MILLION IN OCCIDENTAL'S PERUVIAN ACCOUNT CONDITIONAL ON A DECLARATION BEING ISSUED BY IMF ACCEPTING PERUVIAN STABILIZATION PROGRAM. THE PETROLEUM COMPANY WOULD  
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 120369

LATER DRAW SOLES ON ITS ACCOUNT AS NEEDED (IN ITS OIL EXPLORATION ACTIVITIES). HE REITERATED, HOWEVER, THAT WHILE THIS ACTION WOULD BE HELPFUL IN BEEFING UP PERUVIAN FOREIGN EXCHANGE RESERVES AT A CRITICAL PERIOD, A BRIDGE LOAN FROM THE BANKS WAS STILL INDISPENSIBLE. DE LA PUENTE ALSO REFERRED TO POSSIBLE SPECIAL HELP FROM BANK OF NOVA SCOTIA (LEADING CANADIAN BANK IN INTERNATIONAL SYNDICATE).

4. THE SECRETARY WISHED THE GOP WELL IN ITS CRITICAL ENDEAVOR WITH IMF AND BANKS AND SAID THAT WE WOULD BE GLAD TO USE OUR GOOD OFFICES WITH THE IMF TO EXTENT APPROPRIATE AND WITHIN OUR CUSTOMARY LIMITATIONS. THE MINISTER SAID HE WAS AWARE OF US "REGULATIONS" AND NOTED THAT IT WOULD BE DIFFICULT FOR THE US TO INTERVENE WITH THE IMF. HE MADE NO SPECIFIC REQUEST OF THE US AT THIS TIME.

5. TURNING AT DE LA PUENTE'S INSTIGATION TO QUESTION OF PERUVIAN-ECUADOREAN RELATIONS, SECRETARY THANKED HIM FOR HIS RECENT LETTER ON THE SUBJECT OF ACCESS TO THE AMAZON FOR ECUADOR. HE INFORMED SECRETARY THAT RELATIONS BETWEEN THE TWO COUNTRIES SEEMED TO BE IMPROVING RECENTLY AND HE HAD MET WITH FONMIN AYALA FOR 45 MINUTES AT THE QUITO AIRPORT ON HIS WAY TO WASHINGTON. DE LA PUENTES STATED THAT HE TOLD AYALA HE UNDERSTOOD THE EXIGENCIES OF THE ECUADORIAN ELECTORAL CAMPAIGN BUT HE HOPED PUBLIC UTTERANCES WILL BE TEMPERED. HE URGED AYALA TO KEEP IN DIRECT CONTACT WITH HIM BY TELEPHONE AS WELL AS BY LETTER. AFTER REFERRING TO PUYANGO-TUMBES IRRIGATION PROJECT AS JOINT ENDEAVOR WHICH COULD SIGNIFICANTLY STRENGTHEN BILATERAL RELATIONS, HE ARGUED THAT 1942 RIO PROTOCOL MUST BE RE-  
CONFIDENTIAL

CONFIDENTIAL

PAGE 05 STATE 120369

PECTED SINCE AN ATTEMPT TO IGNORE IT WOULD SET A DIFFICULT PRECEDENT WITH REGARD TO CONTRACTED AGREEMENTS, MENTIONING THE BEAGLE-CHANNEL DISPUTE, BOLIVIA'S ATTEMPT TO OBTAIN SOVEREIGN ACCESS TO THE PACIFIC, AND BRAZIL/ ARGENTINA DISPUTES OVER PARAGUAYAN WATER RESOURCES. DE LA PUENTE SAID THAT PERU AND ECUADOR COULD "COMPLEMENT" THEIR ECONOMIES AND GAVE AS AN EXAMPLE POSSIBLE PERUVIAN HELP VIA RIVERBOAT IN GETTING ECUADOREAN OIL TO THE AMAZON AND THENCE TO BRAZILIAN MARKETS...IF ONLY ECUADOR WOULD "RECOGNIZE" AND UTILIZE ARTICLE 6 OF THE PROTOCOL (PROVIDING FOR TRANSIT RIGHTS FOR ECUADOR THROUGH PERU).

6. ACCORDING TO FONMIN RECENT AGREEMENT REACHED WITH THE SOVIET UNION IS A GOOD ONE WHICH POSTPONES PAYMENT ON THE BULK OF ARMS PURCHASES. HE EXPRESSED HOPE THAT THE SSOD MEETING IN NEW YORK WOULD MAKE SOME PROGRESS ON DISARMAMENT ISSUES. THE SECRETARY THOUGHT IT CONCEIVABLE THAT SOMETHING USEFUL WOULD COME OUT OF THE MEETING AND SUGGESTED THAT LATIN AMERICAN NATIONS MIGHT TAKE LEAD IN SOME AREAS SUCH AS BY FOLLOWING UP AND BROADENING OF AYACUCHO INITIATIVE.

7. DE LA PUENTE THEN DISCLOSED HE HAD RECEIVED AN INVITATION FROM CASTRO TO VISIT HAVANA FOR MEETING OF NON-ALIGNED COORDINATION BUREAU (NOW SCHEDULED THERE RATHER THAN KABUL, MAY 15-20). FOREIGN MINISTER HAD EARLIER TOLD US THIS, AND IT WAS SUGGESTED THAT BANKING AND OTHER CIRCLES HERE MIGHT REACT UNFAVORABLY TO HIS VISITING CUBA IMMEDIATELY AFTER NEGOTIATIONS HERE ON PERU'S FINANCIAL CRISIS. HOWEVER, HE HAD THOUGHT VISIT WOULD BE USEFUL TO GOP IN DEFLECTING LEFTIST CRITICISM UPON HIS RETURN HOME. DE LA PUENTE EXPLAINED PERU BELONGS TO A GROUP OF NON-ALIGNED TRYING TO BRING NAM BACK TO TRUE NON-ALIGNMENT, AND HAD BEEN IN CONTACT WITH EGYPT, INDIA AND YUGOSLAVIA ON ISSUE.

CONFIDENTIAL

CONFIDENTIAL

PAGE 06 STATE 120369

SECRETARY ENCOURAGED FOREIGN MINISTER TO GO TO CUBA AND NOTED WE HAVE SHARP DIFFERENCES WITH THAT COUNTRY RE ITS ACTIVITIES IN AFRICA. THERE WAS NO JUSTIFICATION IN CUBA'S KEEPING ITS 17,000 TROOPS IN ETHIOPIA AFTER THE WITHDRAWAL OF SOMALI FORCES. USE AGAINST THE ERITREAN LIBERATION MOVEMENT, WHICH SECRETARY RECALLED CUBA HAD HELPED TRAIN, WOULD BE A GREAT PROBLEM. DE LA

PUENTE ASSERTED THAT LATIN AMERICA COULD DO LITTLE INITIALLY TO HELP VIS A VIS CUBA, BUT EGYPT, BEING GEOGRAPHICALLY CLOSE, COULD PROVIDE THE LEAD THAT OTHERS MIGHT FOLLOW. THE GOP, HE SAID, HAD DISCUSSED MATTER WITH EGYTIANS. DE LA PUENTE ALSO MENTIONED THAT BOUMEDIENNE OF ALGERIA HAD SENT SPECIAL REPRESENTATIVE TO PERU TO VOICE CONCERN ABOUT CUBA'S DEPARTURE FROM NON-ALIGNMENT.

8. DE LA PUENTE EXPRESSED PLEASURE THAT THE NEW CHILEAN FOREIGN MINISTER WOULD MAKE HIS FIRST VISIT ABROAD TO PERU JUNE 14-16. HE THOUGHT THIS A GOOD START FOR THEIR RELATIONSHIP, ESPECIALLY SINCE THE VISIT WOULD NOT BE SIMPLY A STOP-OVER EN ROUTE TO THE NORTH BUT A SPECIAL VISIT, WITH CUBILLOS RETURNING TO CHILE BEFORE TRAVELLING TO THE OAS GENERAL ASSEMBLY. VANCE

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC STABILITY, FOREIGN MINISTERS MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 may 1978  
**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978STATE120369  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** DKEMP:CFULLER:FPI  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780200-1214  
**Format:** TEL  
**From:** STATE  
**Handling Restrictions:**  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780568/aaaac夫子.tel  
**Line Count:** 240  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** c5fb16a0-c288-dd11-92da-001cc4696bcc  
**Office:** ORIGIN ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** LIMDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** LIMDIS  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 22 jun 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2717584  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** MEETING BETWEEN SECRETARY AND PERUVIAN FOREIGN MINISTER. - SUMMARY  
**TAGS:** PBOR, EFIN, PORG, PE, EC, CI, CU, EG, YO, AG  
**To:** LIMA  
**Type:** TE  
**vdkgvkey:** odbc://SAS/SAS.dbo.SAS\_Docs/c5fb16a0-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014